2008

ALBERTA CAPITAL FINANCE AUTHORITY

Annual Report

ACFA

ALBERTA CAPITAL FINANCE AUTHORITY

CONTENTS

DIRECTORS

Board of Directors

Appointed

C.F. Barth
R. Bhatia
F.W. Clarke
L.R. Gordon
R. Gilmour

Elected

L. Walker	- Representing Class B shareholders
E.A. Gibbons	- Representing Class C shareholders
T. Thain	- Representing Class D shareholders
D.O. Lussier	- Representing Class E shareholders

Audit Committee

C.F. Barth	- Chair of the Audit Committee
H.N. Johnsrude	- Member
L. Walker	- Member

Officers

D.O. Lussier	- Chair of the Board
L.R. Gordon	- Vice-Chair
T.S. Stroich	- President and Treasurer
L. Epp	- Vice-President
J. Hui	- Corporate Secretary and Assistant Treasurer

For more information, visit our website or contact:

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E-mail: webacfa@gov.ab.ca

ORGANIZATION

Mission To provide local authorities within the Province with flexible funding for capital projects at the lowest possible cost, consistent with the viability of the Alberta Capital Finance Authority.

Authority The Alberta Capital Finance Authority is a non-profit Authority established in 1956 under the authority of the *Alberta Capital Finance Authority Act*, Chapter A-14.5, Revised Statutes of Alberta 2000, as amended.

Shareholders The authorized stock of the Authority consists of the following shares with a par value of $10 each:

- 4,500 Class A, available only to the Crown
- 1,000 Class B, available only to municipal authorities (defined as including improvement districts, metis settlements, municipal districts, counties, special areas, and specialized municipalities) and to regional authorities (includes drainage districts, irrigation districts, regional airport authorities and regional services commissions), and health authorities (includes non-profit corporation who owns an approved hospitals, and mental health hospitals, regional health authorities, and provincial health boards)
- 750 Class C, available only to cities
- 750 Class D, available only to towns and villages
- 500 Class E, available only to educational authorities (includes school districts and divisions, colleges, technical institutes, universities and Northland School Division)

The business of the Authority is administered by a Board of Directors. The Lieutenant Governor in Council appoints up to five directors to represent the Class A common shareholder. Each of the other four classes of shareholders elects one director to the Board.

Loans Maximum terms of loans for various projects are prescribed in the Authority's resolution relating to the terms and conditions for lending money to shareholders.

Financing The Authority issues various debt obligations to obtain the funds necessary to finance loan requirements. These obligations of the Authority carry the unconditional guarantee of the Province of Alberta.

CHAIR'S REPORT

February 25, 2009

It is my privilege and pleasure to present the 52nd Annual Report of the Alberta Capital Finance Authority (ACFA or Authority) for the year ended December 31, 2008, and to review its activities over the past year.

In November 2008, the Authority conducted its bi-annual "Consultative Survey" to gauge the priorities of our shareholders and the level of satisfaction with our current business and communication practices. I would like to thank everyone who participated in the online survey as your comments are a key input in the development of our three year business plan and ensuring our loan processes are appropriate. I am pleased to report that in those areas which you considered the highest priority, levels of satisfaction increased, and that communication between senior staff and directors and our borrowers has improved significantly. Again, the timeliness of handling loan applications, assistance received on processing loans and the usefulness of our website were high priorities and our borrowers were very satisfied with Authority's activities. This response is a testament to the hard work and dedication of our staff over the past year, especially in a year of record new loans issued.

The past year was a very busy one for the Authority. 2008 saw approximately $1.385 billion in loans issued, the highest on record and again in a market which saw interest rates at near record lows. Loan interest rates remained low even though market conditions saw the Authority's borrowing rate increase significantly over the Government of Canada rates. Overall, Government of Canada rates decreased, 10 year terms decreased from 3.97% in January to 2.66% in December. Even with the Province of Alberta's AAA guarantee, spreads over Government of Canada rates increased from approximately 44 basis points to 125 basis points. ACFA rates for a 10 year loan were 4.416% in January 2008, decreased to 4.067% in September 2008, increased to 4.46% in November and have slowly declined since then.

This significant increase in loan demand, calling of many of ACFA's structured notes, and maturity of the CPP debt, necessitated significant increases in ACFA's borrowing activity. Normally, ACFA would borrow in the long-term market, from 5 to 20 years at a fixed rate, and then to minimize interest rate risk, swap fixed rate to floating. However because of the widening ACFA spreads and difficulty and cost of swapping long-term fixed rate interest flows to floating, ACFA has done most of its borrowing in 2008 in the short-term market for terms of one year or less. Until the market normalizes, ACFA will continue to borrow in the short-term market for 2009. In 2008 ACFA borrowed over $2.6 billion and repaid over $1.7 billion and we would like to thank both the staff at Treasury Management Division and AIMCo for their support during these trying and busy months.

In 2007, the Authority changed its accounting for all of its assets and liabilities to a fair value basis which added significant volatility to the income statement. These unrealized gains and losses in value are recorded in the income statement as a loss of $143.424 million in 2008 versus $3.182 million gain in 2007. Please note that these are unrealized losses and as ACFA holds all of its assets and liabilities to maturity, will not have a major impact on ACFA's future retained earnings.

In late 2008, the *Alberta Capital Finance Authority Act* was changed to remove the $7.0 billion borrowing limit established in legislation so that in future, changes to the borrowing limit can be done more expeditiously through regulation. A regulation is now in place raising the borrowing limit to $9.0 billion. In addition, all persons who owned approved hospitals were allowed to become shareholders and borrowers of ACFA. This definition was clarified to allow only not-for-profit corporations who own approved hospitals to become shareholders and borrowers of ACFA.

In 2008, Fred Barth was reappointed for another three year term and early in 2009, Lynn Walker announced that she would not be seeking re-election as the Class B representative. I'd like to thank Lynn for her support over the past three years and her efforts on behalf of the shareholders. I would also like to thank the rest of the Board members for their dedication and support to ACFA and its shareholders over the past year.

I would also like to recognize and acknowledge the staff for their efforts and commitments throughout a busy year in providing outstanding service to the Board and shareholders.

It is a honour and a privilege to continue to serve as Chair of the Authority in its continuing efforts to provide an efficient and effective vehicle for capital asset financing.

(original signed by)

Don Lussier
Chair

MANAGEMENT DISCUSSION AND ANALYSIS

(all amounts are cost/contractual

The following provides management's analysis of the financial position and results of operations of the Alberta Capital Finance Authority for the year ended December 31, 2008 on a cost/contractual basis.

Loans

During 2008, the Authority's loan portfolio increased from $5.638 billion to $6.590 billion, an increase of $952 million. New loans issued during the year totalled $1.385 billion, an increase of $145 million from new loans issued in 2007 and loan repayments totalled $433 million. The Authority is forecasting that loan demand will be strong over the next few years, with increasing demands by the educational, municipal and health sectors. Included in this review is an Analysis of New Loans Issued in 2008 by Jurisdiction and Purpose, a Schedule of Loans Outstanding at December 31, 2008 and the Ten-Year Loan Review 1999-2008.

Analysis of New Loans Issued

By jurisdiction and purpose for the year ended December 31, 2008
(thousands of dollars)

	Cities	Towns	Villages	Other	Total
Sewer and water	$ 316,435	$ 28,280	$ 318	$ 20,645	$ 365,678
Transit	207,620	-	-	-	207,620
Roads and sidewalks	146,066	8,653	100	9,357	164,176
Student residences and ancillary operation	-	-	-	131,200	131,200
Municipal buildings	96,101	30,638	-	1,010	127,749
Airport Infrastructure	-	-	-	120,000	120,000
Parks and recreation	82,527	7,171	250	7,341	97,289
Electric, gas and telelphone	69,663	-	-	-	69,663
Landfill development	36,205	-	-	8,400	44,605
Land	20,390	750	37	-	21,177
Senior citizen lodges	4,126	650	-	13,483	18,259
Equipment and machinery	10,631	1,252	200	-	12,083
Public housing	4,183	1,125	-	-	5,308
Total	$ 993,947	$ 78,519	$ 905	$ 311,436	$ 1,384,807

Schedule of Loans Outstanding

as at December 31, 2008
(thousands of dollars)

	Principal Outstanding 31-Dec-07	2-Jan-08 to 31-Dec-08 New Loans Issued	Principal Repaid	Principal Outstanding 31-Dec-08
By Jurisdiction				
Cities	$3,479,566	$993,947	$286,859	$4,186,654
Specialized Municipalities	342,288	16,538	13,957	344,869
Towns	291,984	78,519	27,394	343,109
Villages	10,971	905	1,230	10,646
Counties	136,187	27,903	11,723	152,367
Municipal Districts	24,108	310	3,954	20,464
Irrigation Districts & Regional Services Commissions	88,112	15,485	5,795	97,802
Regional Airport Authorities	433,738	120,000	2,870	550,868
Health Authorities	138,978	-	9,149	129,829
Colleges, Technical Institutes & Universities	413,540	131,200	15,199	529,541
School Districts & Divisions	278,416	-	54,384	224,032
	$5,637,888	$1,384,807	$432,514	$6,590,181
By Purpose				
Municipal - General	$3,687,775	$1,063,944	$298,324	$4,453,395
Municipal - Utility	660,862	69,663	45,827	684,698
ME*first!*	24,247	-	6,734	17,513
Airport Infrastructure	433,738	120,000	2,870	550,868
Health - Ancillary Operation	138,978	-	9,149	129,829
Student Residence, Parkade and Ancillary Operation	413,540	131,200	15,200	529,540
School - Core Operation	278,748	-	54,410	224,338
	$5,637,888	$1,384,807	$432,514	$6,590,181

Ten-Year Loan Review 1999-2008

(thousands of dollars)
(on a cost/contractual basis)

	2008	2007	2006
New loans issued during the year:			
By jurisdiction:			
Cities	$ 993,947	$ 878,623	$ 619,472
Specialized municipalities	16,538	70,009	159,519
Towns and villages	79,424	59,207	40,338
Counties, municipal and irrigation districts, and regional services commissions	43,698	54,408	47,806
Regional airport authorities	120,000	100,000	20,000
Health authorities	-	11,308	99,673
Colleges, technical institutes and universities	131,200	66,750	60,863
School districts and divisions	-	-	-
Total	**$ 1,384,807**	**$ 1,240,305**	**$ 1,047,671**
By purpose:			
Municipal	$ 1,133,607	$ 1,048,329	$ 861,369
ME*first!*	-	13,918	5,766
Airport infrastructure	120,000	100,000	20,000
Health – ancillary operation	-	11,308	99,673
Student residence, parkade and ancillary operation	131,200	66,750	60,863
School – core operation	-	-	-
Total	**$ 1,384,807**	**$ 1,240,305**	**$ 1,047,671**
Loans repaid during year	432,514	505,056	446,349
Loans outstanding at December 31	6,590,181	5,637,888	4,902,639
Loans outstanding at December 31 (*fair value*) (1)	7,075,010	6,009,624	-
New debt issued during year	2,624,881	1,551,905	1,178,396
Debt repaid during year	1,701,278	835,987	570,396
Debt outstanding at December 31	6,610,928	5,678,476	4,963,963
Debt outstanding at December 31 (*fair value*) (1)	6,924,812	5,929,014	-
Accumulated (deficit) retained earnings at December 31 (1)	(43,202)	81,826	15,674
Lending rate at December 31 *(based on 20-year term)*	5.150%	4.726%	4.365%

(1) Effective January 1, 2007, ACFA designated all loans and debt held for trading. Prior to 2007, loans and debt are reported at amortized cost.

	2005	2004	2003	2002	2001	2000	1999
	$ 355,350	$ 377,445	$ 379,647	$ 255,139	$ 297,004	$ 226,820	$ 157,516
	6,794	15,115	26,830	17,742	13,133	38,741	20,226
	44,219	53,569	31,122	20,211	25,657	29,726	24,044
	49,656	43,542	40,056	10,489	9,449	2,815	14,431
	75,000	20,000	-	370,000	-	-	-
	37,920	19,000	-	-	-	-	-
	82,998	71,112	19,302	91,300	17,825	66,300	17,975
	-	7,680	-	1,260	271	5,033	2,294
	$ 651,937	**$ 607,463**	**$ 496,957**	**$ 766,141**	**$ 363,339**	**$ 369,435**	**$ 236,486**
	$ 446,841	$ 484,135	$ 477,655	$ 303,581	$ 345,243	$ 298,102	$ 215,967
	9,178	5,536	-	-	-	-	-
	75,000	20,000	-	370,000	-	-	-
	37,920	19,000	-	-	-	-	-
	82,998	71,112	19,302	91,300	17,825	66,300	17,975
	-	7,680	-	1,260	271	5,033	2,544
	$ 651,937	**$ 607,463**	**$ 496,957**	**$ 766,141**	**$ 363,339**	**$ 369,435**	**$ 236,486**
	500,825	397,916	410,372	418,565	456,062	427,095	422,002
	4,301,317	4,150,205	3,940,658	3,854,073	3,506,497	3,599,220	3,656,880
	-	-	-	-	-	-	-
	972,000	714,500	3,137,000	2,280,000	725,000	592,367	-
	832,604	475,491	2,930,523	1,929,735	776,739	1,002,367	294,206
	4,355,963	4,216,567	3,977,558	3,771,081	3,420,816	3,472,555	3,882,555
	-	-	-	-	-	-	-
	11,673	12,664	22,406	26,676	132,738	149,913	275,656
	4.569%	4.923%	5.625%	5.875%	6.000%	6.125%	6.500%

Results of Operations

The Authority's interest income on loans, including income from investments exceeded interest expense on debt by $19.1 million, as the yield on the loans was slightly higher than the yield on the debt which resulted in income before unrealized gains or losses of $18.4 million. The net loss after recognition of unrealized gains and losses amounts to $125 million.

As almost all loans, debt and derivatives are held to maturity, it is extremely unlikely that these unrealized losses will ever be realized and will be settled for their contractual value with no loss or gain to ACFA. In addition, the unrealized loss on derivatives which makes up the majority of the unrealized net loss is a result of ACFA not using interest rate swaps to swap fixed rate debt to a floating rate. Almost all of ACFA debt in 2008 was done for terms less than one year which requires rates to be set more frequently. Had ACFA borrowed in the long-term debt market and swapped the fixed rate to floating, the unrealized loss of derivatives would have been reduced by these swaps.

The Authority's goals are to provide local authorities with flexible funding at the lowest possible cost and to maintain the lowest administrative and new loan costs compared to other municipal borrowing authorities. Included below is a comparison of the Authority's 2008 costs with the March 31, 2008 financial data of other provincial municipal borrowing authorities.

Capital Finance Authority Statistics - 2008

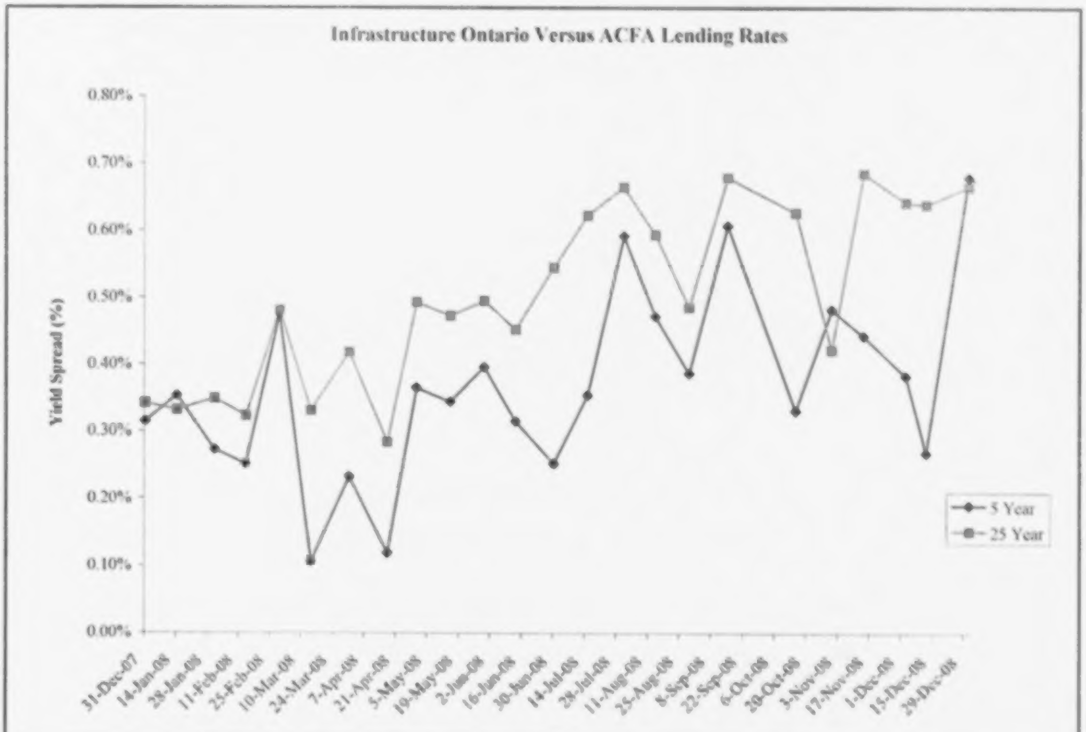
	Alberta	British Columbia	Nova Scotia
New loans to shareholders *($ millions)*	1,385	1,907	140
Total loans outstanding, net of unamortized discount *($ millions)*	6,590	4,228	689
Administrative expense			
($ thousands)	822	1,202	501
($ per $ thousand of new loans)	.59	.63	3.58
($ per $ million of loans)	.12	.28	.73

Interest Rates

The Authority provides fixed rate semi-annual pay amortizing loans to its borrowers. Loan rates are based on actual rates for the interest rate swaps (or other floating rate instruments) executed to convert the loan to a floating rate to match the funding floating rate in order to reduce interest rate risk to the Authority. If a fixed rate instrument is used to fund the loan, then the loan rate will be based on the actual rate of the fixed rate instrument.

Comparative Loan Spreads with Infrastructure Ontario

In order to compare the Authority's loan rates provided to those of Ontario municipal borrowers, rates of Infrastructure Ontario were reviewed and compared to the rates that the Authority would have offered. As noted below, ACFA's rates were consistently below Infrastructure Ontario's throughout the year. The spreads between ACFA's rates and those of Infrastructure Ontario's increased from 30 basis points at the beginning of the year for 5 year rates, and 25 year rates to over 50 basis points for 5 and 70 basis points for 25 year rates. ACFA's goal of maintaining the lowest rate possible was achieved.



Debt

The debt of the Authority increased by $932 million to $6.611 billion. During the year, the Authority received $433 million in loan repayments while issuing $1.385 billion in new loans. The Authority repaid $259 million to the Canada Pension Plan Investment Fund and $539 million under the Public Promissory Note Program. During the year the Authority borrowed $101 million in medium-term debt for terms from 5 to 10-years and to meet short-term requirements, borrowed over $2.524 billion, of which $903 million was repaid during the year.

Sources of Capital

(thousands of dollars)

	Contractual Outstanding 31-Dec-08	Outstanding as a Percentage of Total
Canada Pension Plan	$1,446,669	22%
Public	5,164,259	78%
Total	$6,610,928	100%

Risk Management

Effective risk management is central to the ability to ensure a financially sound organization and includes identifying, assessing, managing and monitoring all forms of risk. The Authority is primarily exposed to:

- Market risk;
- Liquidity risk;
- Operational risk; and
- Credit risk.

The President of the Authority is responsible for identifying risks and recommending the appropriate policies and framework. The Board of Directors reviews and approves the risk management policies and implements specific reporting procedures to enable them to monitor the adherence to these policies.

Market Risk

Market risk is the impact on the Authority's income from changes in market factors such as interest rates and foreign exchange. The Authority requires that all borrowing be done in Canadian dollars or that borrowing in foreign currency be swapped into Canadian dollars. The primary source of interest rate risk is repricing risk which arises when there is a mismatch between the maturity and repricing of interest bearing assets and the maturity and repricing of interest bearing liabilities. This repricing risk also results from the Authority's willingness to allow for some prepayments on existing loans.

The prepayment policy is structured to protect the Authority from the significant losses that would occur in accepting additional prepayments of high interest rate loans and relending these funds at lower rates. The Authority, on three separate occasions, has reduced the rates on higher interest rate loans to 12%. The Authority does not have the ability to prepay or refinance its public debt and can only repay the Canada Pension Plan Investment Fund with a prepayment penalty based on current market rates which would not make it economically advantageous. The Authority's prepayment policy is an integral part of its long-term financial planning.

Interest Rate Risk

The Authority uses mainly interest rate swaps for the purpose of managing its asset and liability position. The Authority's policy is to match the interest rate exposure on all new loans to the interest rate exposure of the debt used to fund these loans. In most cases, fixed interest rates on new loans and debt are swapped to floating rates so that the floating rates paid and received incorporate changes in the market rate at approximately the same time. In 2008, because of the widening of spreads in the debt and swap markets and the availability of long-term swaps, ACFA did most of its borrowing in the short-term market, reducing the need for interest rate swaps. Should markets normalize in the near future ACFA will return to its previous activities.

In 2008, all interest rates decreased over the year but the spread over the benchmark at which ACFA borrows has increased, especially in the long-term. These increasing spreads offset the lower benchmark rates so the cost of borrowing was unchanged. The cost of swapping fixed rate debt to floating rate on Bankers Acceptance levels has increased substantially over the year.

Comparing these swap levels to borrowing in the short-term market, the short-term market was much cheaper. ACFA has borrowed for terms of less than one year but as swaps are reset every quarter, ACFA monitors these short-term borrowing because if rates increased substantially, there is some refinancing risk.

The Board recognizes the unique risks associated with the use of derivative financial instruments and has established policies and procedures to monitor and minimize exposure to the Authority. These policies and procedures limit the type of derivative financial instruments and circumstances where they can be used, the authorities required to approve the transaction and the appropriate segregation of duties to reduce operational risk. All derivative financial instruments are reviewed and managed within policies approved by the Board and the Board reviews all derivative financial instruments made since the last meeting.

It has been five years since ACFA established these policies to manage its interest rate risk. In 2008, ACFA engaged a consulting firm to review its interest rate risk management policies and to recommend changes thereto. Their report indicated that our current interest rate exposure is effectively managed and have made recommendations to enhance ACFA's management of this risk. ACFA is reviewing these recommendations to determine the resources and practicality required to implement them.

Credit risk on counterparty default arises with the use of derivatives. To control this risk, the Authority uses counterparty limits established for the Province and uses only counterparties believed to have a good credit standing (A+ or greater). The Authority is not exposed to credit risk for the full face value (notional amount) of the derivative contracts, but only to the potential replacement cost if the counterparties fail. This exposure is represented by the current replacement cost of all outstanding contracts in a favourable position. For additional information, see Note 7 in the Financial Statements.

Liquidity Risk

Liquidity risk is the risk that the Authority will not have sufficient cash to meet its obligations as they become due and also meet the loan requirements of our local authorities.

The Authority manages its liquidity risk by monitoring its cash flows on a daily basis and providing updated cash flow reports to the Board as required. Surplus funds are invested short-term in the Consolidated Cash Investment Trust Fund. When required, the Authority raises funds under a five-year Promissory Note Program, borrowing in the Canadian or European market or by renewing borrowing from the Canada Pension Plan. All borrowing is guaranteed by the Province of Alberta.

Operational Risk

Operational risk is the risk associated with a breakdown in internal controls, systems or procedural failures, human errors or malfeasance. These risks can never be fully eliminated but are minimized by establishing appropriate policies and sound internal controls through an appropriate segregation of duties, accountability and reporting practices.

The audit of the financial statements was made in accordance with Canadian generally accepted auditing standards and, accordingly, included a review of certain of the systems of operating and financial controls and such tests that were considered necessary in the circumstances.

The objective of a financial statement audit is to obtain reasonable assurance whether the financial statements are free of material misstatement. Accordingly, an audit would not usually identify all matters that may be of interest to management and the Audit Committee, however any weaknesses identified in internal controls over financial reporting controls, or other non-trivial matters, are communicated to management and the Audit Committee.

Credit Risk

Credit risk is the risk of loss due to a borrower or counterparty failing to meet their obligations to the Authority. Historically, the Authority has not been required to record any provisions or allowances regarding credit losses nor has it suffered any such losses. The Authority has established policies which provide for the approval and monitoring of all lending activity. These policies include establishing clear lines of authority for decision making and for accountability.

FINANCIAL REPORTING RESPONSIBILITY OF MANAGEMENT

Management of the Alberta Capital Finance Authority prepared these financial statements and is responsible for their reliability, completeness and integrity. They conform in all material respects to Canadian generally accepted accounting principles and the requirements of the *Alberta Capital Finance Authority Act*.

Management maintains the necessary accounting and internal control systems designed to ensure the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use and the promotion of operational efficiency. The Audit Committee oversees management's responsibilities for financial reporting, and internal control systems over financial reporting controls, and recommends approval of the financial statements and annual report to the Board of Directors.

The Auditor General of Alberta is designated as the external auditor in the *Alberta Capital Finance Authority Act*. The Audit Committee reviewed these financial statements with the external auditor in detail before recommending their approval to the Board of Directors. The Board then approved the financial statements.

(original signed by)

FCA
President

Edmonton, Alberta
February 25, 2009

AUDITOR'S REPORT

To the Shareholders of the
Alberta Capital Finance Authority

I have audited the balance sheet of the Alberta Capital Finance Authority as at December 31, 2008 and the statements of net loss, comprehensive loss and accumulated deficit and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

(original signed by)

FCA
Auditor General

Edmonton, Alberta
February 25, 2009

BALANCE SHEET

as at December 31, 2008
(thousands of dollars)

	2008	2007
Assets:		
Cash (Note 4)	$ 6,328	$ 16,272
Loans to local authorities (Note 5)	7,075,010	6,009,624
Derivatives in favourable position (Note 7)	509,898	50,230
	$ 7,591,236	$ 6,076,126
Liabilities and Shareholders' Deficiency:		
Liabilities:		
Accounts payable	$ 870	$ 733
Debt (Note 6)	6,924,812	5,929,014
Derivatives in unfavourable position (Note 7)	708,692	64,489
	7,634,374	5,994,236
Commitments (Note 12)		
Shareholders' deficiency:		
Share capital (Note 9)		
Issued and fully paid:		
6,343 shares (2007 - 6,390 shares)	64	64
Accumulated (deficit) retained earnings	(43,202)	81,826
	(43,138)	81,890
	$ 7,591,236	$ 6,076,126

The accompanying notes are part of these financial statements

(original signed by)

D.O. Lussier
Chair of the Board

(original signed by)

T.S. Stroich, FCA
President

STATEMENT OF NET LOSS, COMPREHENSIVE LOSS AND ACCUMULATED DEFICIT

for the year ended December 31, 2008
(thousands of dollars)

	Budget (Note 13)	2008	2007
Interest Income:			
Loans	$ 330,002	$ 293,823	$ 307,432
Amortization of loan discounts	1,085	-	-
Investments (Note 4)	3,000	1,807	4,359
	334,087	295,630	311,791
Interest Expense:			
Long-term debt	320,805	263,472	300,367
Short-term debt	-	13,016	1,396
Commission fees	5,100	-	4,200
Amortization of net discounts on debt	2,443	-	-
	328,348	276,488	305,963
Net interest income	5,739	19,142	5,828
Other Income:			
Loan prepayment fees	-	76	58
Net interest income and other income	5,739	19,218	5,886
Non-Interest Expense:			
Administration and office expenses (Note 10)	754	822	659
Income before unrealized gains (losses)	4,985	18,396	5,227
Unrealized gain (loss) on loans	-	113,101	(64,263)
Unrealized (loss) gain on debt	-	(78,437)	74,246
Unrealized (loss) on derivatives	-	(178,088)	(6,801)
Total unrealized (loss) gain	-	(143,424)	3,182
Net (loss) income and comprehensive (loss) income	4,985	(125,028)	8,409
Retained earnings, beginning of year	18,677	81,826	73,417
Accumulated (deficit) retained earnings, end of year	$ 23,662	$ (43,202)	$ 81,826

STATEMENT OF CASH FLOW

for the year ended December 31, 2008
(thousands of dollars)

	2008	2007
Operating Activities:		
Interest received	$ 287,797	$ 310,252
Investment interest	1,807	4,359
Loan prepayment fees	76	58
Commission fees	-	(4,200)
Administration and office expenses	(684)	(647)
Interest paid	(270,250)	(295,019)
Cash flows from operating activities	18,746	14,803
Investing Activities:		
Loan repayments	432,514	505,056
New loans issued	(1,384,807)	(1,240,305)
Cash flows used in investing activities	(952,293)	(735,249)
Financing Activities:		
Debt issues	2,624,881	1,551,905
Debt redemptions	(1,701,278)	(835,987)
Cash flows from financing activities	923,603	715,918
Net decrease in cash	(9,944)	(4,528)
Cash, beginning of year	16,272	20,800
Cash, end of year	$ 6,328	$ 16,272

Notes to the Financial Statements

December 31, 2008

(all amounts presented in thousands of dollars, except share amounts)

1. **Authority**

   The Alberta Capital Finance Authority (ACFA) operates under the authority of the *Alberta Capital Finance Authority Act*, Chapter A-14.5, Revised Statutes of Alberta 2000, as amended. Under the Act, ACFA is restricted to making loans only to its shareholders.

2. **Significant Accounting Policies and Reporting Practices**

   These financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include the following significant accounting policies:

   a) **Measurement Uncertainty**

   The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Measurement uncertainty exists in the collectability of the loans to local authorities and the estimate of fair value of financial instruments.

   b) **Comprehensive Income**

   Comprehensive income is composed of net income and other comprehensive income. Other comprehensive income may include any unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivative instruments designated as cash flow hedges. Currently ACFA has no other comprehensive income.

   c) **Valuation of Financial Instruments.**

   All financial instruments which include loans and debt have been classified as held for trading and are measured at fair value at the settlement date.

   i) **Loans**

   The fair value of loans is calculated using future interest and principal cash flows for all loans using a discount factor curve to determine the present value of each cash flow.

   The discount factor curve is calculated using the ACFA's estimated market borrowing rates as a base and adding a premium of 12 basis points to this curve. ACFA's borrowing rates are used as a base as it is assumed based on payment history and security covenants in place, that the loan portfolio has credit risk similar to that of ACFA. The premium of 12 basis points is added to these rates as it is expected that financial securities with irregular payments would require a higher rate if sold in the market. The premium was determined through analysis of premiums for amortizing bonds trading in the bond market.

ii) **Debt**

The fair value of debt is calculated using market rates for ACFA debt based on credit spread indications for new debt issues received from ACFA's borrowing syndicate managers and are determined by taking Government of Canada bond interest rates at the close of business on the last business day of the period and adding the indicative new issue spread to these rates.

Bonds (i.e. bullets with no options with the entire principal amount paid at maturity) are valued by interpolating the yield to maturity for each individual bond from the calculated indicative borrowing rates. This yield to maturity is used to calculate the market value, including accrued interest, for each bullet bond using common bond pricing methodology.

Structured notes, including step up notes and accrual notes, are valued using formulas that require a discount factor curve, which is computed from the indicative borrowing rates and inputs on option volatility as estimated in the swap market.

iii) **Derivatives**

ACFA has chosen not to designate its interest rate swaps as hedges. Therefore hedge accounting is not applied and derivatives are carried on the balance sheet at fair value and changes in fair value are recorded in income.

Fair values are determined using models based on third party valuation software which takes into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Fair values have been segregated between those contracts which are in a favourable position (positive fair value) and those contracts which are in an unfavourable position (negative fair value) and are recorded as derivative assets and derivative liabilities respectively. Changes in the fair value of derivative instruments are recorded in income.

3. Accounting Policy Changes

a) Adopted Changes to Accounting Policies

Effective January 1, 2008, ACFA adopted Canadian Institute of Chartered Accountants (CICA), Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which replaced Section 3861 "Financial Instruments – Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new presentation standard carries forward the former presentation requirements. ACFA determined that the implementation of these new standards did not have any impact on ACFA's financial position or results of operations. The disclosures related to these sections are reported in Notes 4, 5, 6 and 7 of these financial statements.

Effective January 1, 2008, ACFA adopted CICA Section 1535 "Capital Disclosures". The Section establishes standards for disclosing information about an entity's capital and how it is managed in order that a user of the financial statements may evaluate the entity's objectives, policies and processes for managing capital. ACFA's capital disclosures are reported in Note 8 of these financial statements.

b) Future Changes to Accounting Policies
The CICA has issued Emerging Issues Committee 173 "Credit Risk and the Fair Value of Financial Assets and Liabilities" (EIC-173) which will require ACFA to take into account its own as well as counterparty credit risk in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods and applies to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. ACFA is currently evaluating the impact of the adoption of EIC-173 on its financial statements.

In February 2008, the CICA's Accounting Standard Board confirmed that Canadian public companies will have to adopt International Financial Reporting Standards (IFRS) effective for the fiscal years beginning on or after January 1, 2011. Currently ACFA will be required to adopt these standards. The impact of the adoption of the IFRS on ACFA's financial reporting is not yet determinable.

4. Cash

Cash is on deposit in the Consolidated Cash Investment Trust Fund of the Province of Alberta which is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. Credit risk is minimized as the portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. For the year ended December 31, 2008, securities held by the Fund have an average net return of 3.53% per annum (December 31, 2007 - 4.48% per annum).

The fair value of cash approximates its carrying value.

5. Loans to Local Authorities

Loans to Local Authorities	2008	2007
Fair value	$7,075,010	$6,009,624
Contractual principal	$6,590,181	$5,637,888
Unamortized discount	(567)	(1,652)
Accrued interest receivable	95,952	95,961
	$6,685,566	$5,732,197

The fair value of loans is calculated using future interest and principal cash flows for all loans using a discount curve to determine the present value (Note 2c(i)). The estimated sensitivity of the fair value of loans to a change in the discount factor of one (1) basis point is $4,547.

Credit risk is the risk of loss due to borrowers failing to meet their obligations to ACFA. Historically, ACFA has not needed to record any provisions or allowances regarding credit losses nor has it suffered any such losses. ACFA has established policies which provide for the approval and monitoring of all lending activity. These policies include establishing clear lines of authority for decision making and for accountability.

As at and for the year ended December 31, 2008, all loans were performing in accordance with related terms and conditions and none were in arrears, nor were any loans considered impaired. Since ACFA considers that there has been no change in the credit quality of its borrowers, the change to fair value of loans is based only on the change in the market interest rate.

6. Debt

Debt (Schedule 1)	2008	2007
Fair Value	$6,924,812	$5,929,014
Contractual principal	$6,610,928	$5,678,476
Unamortized discount	(11,823)	(4,066)
Accrued interest payable	56,608	62,850
	$6,655,713	$5,737,260

The fair value of debt is calculated using market rates at the close of business on the last business day of the year and adding the indicative new issue spreads to these rates. The estimated sensitivity of the fair value of debt to a change of one (1) basis point in the rate used to calculate fair value is $3,489.

The debt of ACFA is fully guaranteed by the Province of Alberta.

Debt with a fair value of $319,967 (contractual principal - $309,259) (2007: fair value - $768,770; contractual principal - $762,513) is comprised of a combination of various issues of step-up and accrual notes whereby ACFA has the option of extending or calling the debt, at predetermined extension or call dates. In the event that ACFA exercises its option to call or not extend the debt at the predetermined extension or call dates, the debt is redeemed at the contractual principal amount with no gain or loss to ACFA. In the event ACFA does not exercise its option to call or redeem the debt at the predetermined extension or call dates, the contractual principal amount is due at the final maturity date (Schedule 1).

For the next five years contractual debt redemption requirements, with the assumption that the step-up and accrual notes are redeemed at the first extendible date and all other debt at the maturity date, are as follows:

	Debt Redemption
2009	$2,312,782
2010	212,000
2011	250,000
2012	500,000
2013	300,000
	$3,574,782

7. **Derivative Financial Instruments**

Interest rate swaps are used to manage exposure to the mismatch in fixed interest rates on certain loans and debt made after January 1, 2004.

The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Balance Sheet. They represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments.

Interest rate swaps with a notional value of $309,259 related to the step-up and accrual notes have the option which allows the counterparty to extend or call the debt at predetermined extension or call dates. If the counterparty exercises their option to call or redeem the interest rate swap at the predetermined extension or call date, there will be no gain or loss to ACFA.

The notional amounts of interest rate swaps are summarized as follows:

	As at December 31					
Maturities	**Within 1 Year**	**1 to 2 Years**	**3 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**
Interest rate swaps - 2008	$ 6,478	$ 38,640	$ 284,786	$ 1,997,962	$4,874,361	$ 7,202,227
Interest rate swaps - 2007	$1,450,216	$ 14,154	$ 220,360	$ 1,061,787	$3,716,037	$ 6,462,554

The cost of replacing the remaining cash flows of the interest rate swaps at the prevailing prices and market rates are summarized as follows:

			Current Replacement Cost	
	Notional Outstanding	**Net Fair Value**	**Contracts in Favourable Position**	**Contracts in Unfavourable Position**
Interest rate swaps - 2008	$ 7,202,227	$ (198,794)	$ 509,898	$ (708,692)
Interest rate swaps - 2007	$ 6,462,554	$ (14,259)	$ 50,230	$ (64,489)

The contractual amount of accrued interest receivable and payable on interest rate swaps as at December 31 are as follows:

	2008	**2007**
Accrued interest receivable	$ 10,499	$ 4,464
Accrued interest payable	$ 12,481	$ -

The fair value of interest rate swaps has been calculated using valuation methodologies that take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. The estimated sensitivity of the fair value of derivatives in a favourable or unfavourable position to a change in the rate of one (1) basis point is $2,617 and $4,105 respectively.

Current credit exposure is limited to the amount of loss that ACFA would suffer if every counterparty to which ACFA was exposed were to default at once and is represented by the current replacement cost of all outstanding contracts in a favourable position. ACFA is part of the exposure limit established for the Province of Alberta and actively monitors its exposure and minimizes credit risk by only dealing with counterparties believed to have a good credit standing (A+ or greater). Under the Province of Alberta's International Swaps and Derivatives Association Master Agreement, ACFA can in the event of a counterparty default, net its favourable and unfavourable positions with a counterparty doing business only with ACFA.

8. Capital Management

ACFA is an agent of the Province of Alberta and a crown corporation whose debt is fully guaranteed by the Province of Alberta which provides ACFA access to capital markets to obtain low cost debt financing.

The business of ACFA is to provide its shareholders with flexible financing for capital projects and to manage its assets and liabilities and business affairs in such a manner so as to enhance its ability to effectively carry out its activities in an economical and effective manner.

ACFA's objective when managing capital, designated as retained earnings, is to safeguard its ability to continue as a going concern, to continue to benefit its shareholders by providing loans at the lowest possible cost and operate on a breakeven basis while maintaining positive retained earnings before adjustments for fair value.

As almost all loans, debt and interest rate swaps are held to maturity or to the earliest call date and operate in accordance with the terms of the contract, no gains or losses will be realized over the life of the instrument.

Notes to the Financial Statements
(continued)

9. Share Capital

Particulars of share capital valued at $10.00 per share with voting rights, established in legislation, which relate only to the election of a director representing the shareholders are as follows:

Class	Restricted to		Number of Shares: Authorized	Number of Shares: Issued and Fully Paid	Total Dollar Amount
A	Province of Alberta		4,500	4,500	$45,000
B	Municipal authorities, airport and health authorities		1,000	880	8,800
C	Cities		750	585	5,850
D	Towns and villages		750	295	2,950
E	Educational authorities		500	83	830
		2008	7,500	6,343	63,430
		2007	7,500	6,390	$63,900

During the year, six Class B and one Class D shares were issued and fifty-four Class E shares were cancelled.

10. Directors' and Audit Committee Fees and Related Party Transactions

Directors' and Audit Committee fees paid by ACFA are as follows:

	2008		2007	
	Number of Individuals	Total	Number of Individuals	Total
Board/Audit Committee Chairs	2	$ 9	2	$ 8
Board/Audit Committee members	8	$ 23	8	$ 19

There are two additional Board members who are employees of the Province of Alberta and do not receive compensation from ACFA.

ACFA has advanced loans to local authorities under the ME*first!* Municipal Energy Efficiency Assistance Program (the "Program") on behalf of Alberta Municipal Affairs and Alberta Environment. Under the Program, principal was advanced to qualifying municipalities by ACFA and repayments of principal are made by the municipality; however, the interest is paid by the Province of Alberta. The Program has been discontinued but the loans will continue until they are paid out. Included in the balance of loans to local authorities at December 31, 2008 is principal of $17,513 (2007 - $24,247), upon which, interest of $831 (2007 - $959) has been recorded in interest income from loans.

ACFA has no employees. Included in administration and office expenses of $822 (2007 - $659) is the amount of $440 (2007 - $420) that was paid to the controlling shareholder, the Province of Alberta for services at prices measured at the exchange amount, which approximate market.

Notes to the Financial Statements
(continued)

11. Financial Risk Management

In accordance with ACFA's Derivative Policy, ACFA manages its interest rate risk by matching its debt maturity profile to the forecast cash flows and their effect on ACFA's surplus position. For most loans made after January 1, 2004, ACFA uses interest rate swaps to swap fixed rate loan interest to floating, and swaps corresponding debt from fixed rate to floating and uses forward rate agreements to minimize the exposure related to the mismatch of reset dates of the loan and debt swaps.

ACFA's management is responsible for monitoring performance and reporting to the Board of Directors and recommending changes to the Derivative Policy. The Board of Directors is responsible for governance and strategic direction through its annual review and approval of the policy.

a) Credit Risk

Credit risk is related to the possibility that the borrower or the counterparty to a financial instrument cannot fulfill its contractual obligation to ACFA.

Credit risk from borrowers is fully explained in Note 5 and ACFA does not believe that it has any credit exposure on loans.

Credit exposure with derivative counterparties is further explained in Note 7.

b) Interest Rate Risk

Interest rate risk refers to the potential impact of changes in interest rates on ACFA's earnings when maturities of its interest rate sensitive assets are not matched with the maturities of its interest rate sensitive debt. The following table summarizes the contractual principal amounts of ACFA's interest sensitive assets and liabilities, with the assumption that the step-up and accrual notes are redeemed at the first extendible date and all other debt at the maturity date, based on the earlier of repricing or principal repayments:

As at December 31

Maturities	Within 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	Over 10 Years	2008 Total	2007 Total
Assets							
Cash	$ 6,328	$ -	$ -	$ -	$ -	$ 6,328	$ 16,272
Accrued Interest Receivable	106,451	-	-	-	-	106,451	100,425
Loans to Local Authorities	605,836	456,570	1,256,957	1,690,659	2,580,159	6,590,181	5,637,888
Effective Rate	5.7%	5.4%	5.4%	5.2%	5.3%	5.4%	5.6%
Total	718,615	456,570	1,256,957	1,690,659	2,580,159	6,702,960	$ 5,754,585
Liabilities							
Accrued Interest Payable	$ 69,089	$ -	$ -	$ -	$ -	$ 69,089	$ 62,850
Debt	2,312,782	212,000	1,050,000	1,600,000	1,436,146	6,610,928	5,678,476
Effective Rate	6.7%	7.0%	7.4%	7.5%	5.5%	6.8%	5.5%
Total	2,381,871	212,000	1,050,000	1,600,000	1,436,146	$6,680,017	$ 5,741,326
Cumulative Gap 2008	$ (1,663,256)	$ 244,570	$ 206,957	$ 90,659	$1,144,013	$ 22,943	$ 13,259
Cumulative Gap 2007	$ (576,377)	$ 232,883	$ 193,027	$ (340,368)	$ 504,094	$ 13,259	$ 6,635

Interest rate swaps have not been included in the above table.

Notes to the Financial Statements
(continued)

The interest rate sensitivity analysis below has been determined based on the exposure to interest rate for both floating rate assets and liabilities at the balance sheet date. Floating rate assets at December 31, 2008 consist of cash on hand, accrued interest receivable and loans which have been swapped from fixed to floating. Floating rate debt at December 31, 2008 consists of accrued interest payable, debt which has been swapped from fixed to floating and debt due within one year.

The impact of a 50 basis points change with all other variables held constant throughout the year would have the following impact on interest income and interest expenses from assets and liabilities respectively:

Assets	\$4,771,678 X .5% =	\$23,858
Liabilities	\$4,775,261 X .5% =	23,876
Loss		\$(18)

c) **Liquidity Risk**
Liquidity risk is the risk that ACFA will not have sufficient cash to meet its obligations as they become due and also meet the loan requirements of our local authorities.

ACFA manages its liquidity risk by monitoring its cash flows on a daily basis. Surplus funds are invested in short-term investments or the Consolidated Cash Investment Trust Fund. When required, ACFA raises funds under a five-year Promissory Note Program, by direct borrowing in the Canadian or European market or by renewing borrowing from the Canada Pension Plan Investment Board.

12. Commitments

a) **Lease**
ACFA has obligations under an operating lease for the rental of premises, expiring in July 2013 at an annual minimum as follows:

2009 - \$50
2010 - \$53
2011 - \$54
2012 - \$54
2013 - \$27

b) **Loan**
In the normal course of business, ACFA enters into loan commitments to provide customers with sources of credit.

Commitments to extend credit represent undertakings to make credit available in the form of loans for specific amounts and maturities, subject to certain conditions and are recently authorized loans not yet drawn down.

Notes to the Financial Statements
(continued)

These loan arrangements are subject to ACFA's normal credit standards and collateral is obtained where appropriate. The loan amounts represent the maximum credit risk exposure to ACFA should the loans be fully drawn. The loan commitments represent future cash requirements and as at December 31 were:

	2008	2007
Loan commitments as at December 31	$ 13,796	$ 11,000

13. **Budget**
The 2008 budget was approved by the Board of Directors on January 16, 2008 and is unaudited. For purposes of budget preparation, financial instruments are reflected at amortized cost and fair values are not included.

14. **Comparative Figures**
Certain comparative figures have been reclassified to conform to the current year's presentation.

SCHEDULE OF DEBT

as of December 31, 2008
(thousands of dollars)

Schedule 1

Maturity Date	First Extendible Date	Interest Rate	Contractual Principal Outstanding	Fair Value	
Canada Pension Plan Investment Fund/ CPP Investment Board					
Oct 02, 2009		9.990	$291,414	$318,222	
Nov 01, 2009		9.620	32,457	35,294	
Dec 01, 2009		9.260	6,652	7,205	
Oct 01, 2020		6.280	222,367	265,256	
Jun 01, 2022		6.060	100,000	116,255	
Apr 05, 2023		5.890	50,000	57,620	
Dec 01, 2023		5.500	150,000	164,839	
Dec 03, 2024		5.180	78,000	82,786	
Nov 03, 2026		4.490	200,000	195,229	
Nov 03, 2031		4.500	125,396	120,698	
Nov 02, 2032		4.830	190,383	192,206	
Total			1,446,669	1,555,610	
Public					
Jan 05, 2009		1.740	150,000	149,968	
Jan 14, 2009		1.810	110,000	109,935	
Jan 29, 2009		1.900	150,000	149,815	
Feb 03, 2009		2.200	90,000	89,871	
Feb 12, 2009		2.110	110,000	109,801	
Feb 18, 2009		1.533	90,000	89,815	
Mar 17, 2009		2.070	50,000	49,845	
Mar 17, 2009		1.137	80,000	79,752	
Mar 24, 2009		0.898	105,000	104,648	
Mar 30, 2009		1.910	75,000	74,733	
Apr 07, 2009		1.493	100,000	99,608	
Apr 22, 2009		1.353	100,000	99,530	
May 28, 2009		1.765	125,000	124,159	
Jun 08, 2009		2.770	125,000	124,075	
Jun 15, 2009		3.260	125,000	124,020	
Dec 16, 2009		1.186	100,000	98,384	
Mar 01, 2010		4.550	50,000	52,755	
Aug 20, 2010		4.500	150,000	159,964	
Sep 01, 2011		5.700	200,000	222,387	
Dec 15, 2011		4.435	50,000	53,154	
Jun 01, 2012		5.850	500,000	557,401	
Jan 04, 2013	Jan 04, 2009 *	4.450	13,000	13,183	(i)
Feb 13, 2013	Feb 13, 2009 *	4.000	10,000	10,283	(i)
Jun 03, 2013	Jun 03, 2009	3.350	18,000	17,919	(i)
Jun 13, 2013	Jun 13, 2009	4.000	10,000	10,177	(i)
Dec 02, 2013		5.000	300,000	328,140	
Jan 28, 2014	Jan 28, 2009 *	4.000	10,000	10,063	(i)
Apr 17, 2014	Apr 17, 2009	3.600	10,000	9,919	(i)

Maturity Date	First Extendible Date	Interest Rate	Contractual Principal Outstanding	Fair Value	
Jan 28, 2015	Jan 28, 2009 *	4.050	10,000	9,988	(i)
Jan 31, 2015	Jan 31, 2009 *	3.850	10,000	9,957	(i)
Jun 01, 2015		4.900	200,000	216,531	
Jun 15, 2015	Jun 15, 2009	4.050	17,000	17,098	(i)
Sep 15, 2015	Mar 15, 2009 *	4.240	10,000	11,147	(ii)
Jun 15, 2016		4.350	600,000	622,900	
Mar 15, 2017	Mar 15, 2009 *	4.715	16,259	15,828	(ii)
Jun 15, 2017		4.650	700,000	736,761	
Aug 15, 2017	Feb 15, 2009 *	4.150	35,000	34,663	(i)
Feb 12, 2018	Feb 12, 2009 *	4.100	10,000	9,831	(i)
Jun 01, 2018		5.150	100,000	108,628	
Nov 13, 2020	May 13, 2009	5.020	12,000	12,194	(ii)
Apr 18, 2022	Apr 18, 2010	5.000	12,000	12,510	(ii)
Jun 15, 2022	Jun 15, 2009	5.010	25,000	25,952	(ii)
Dec 01, 2023		5.100	20,000	21,116	
Jun 15, 2025	Jun 15, 2009	5.150	20,000	22,667	(ii)
Jul 06, 2025	Jan 06, 2009	5.020	16,000	17,746	(ii)
Dec 15, 2025		4.450	300,000	291,539	
Oct 11, 2030	Oct 11, 2009	5.160	15,000	15,888	(ii)
Dec 15, 2030	Jun 15, 2009	5.160	10,000	10,737	(ii)
Dec 15, 2030	Dec 15, 2009	5.410	10,000	11,131	(ii)
Dec 15, 2030	Jun 15, 2009	5.400	10,000	11,086	(ii)
Total			5,164,259	5,369,202	
Total debt 2008			$6,610,928	$6,924,812	
Total debt 2007			$5,678,476	$5,929,014	

(i) These are step-up notes extendible at the ACFA's option which pay interest periodically at a predetermined rate with principal paid on termination.

(ii) These are accrual notes extendible or callable at the ACFA's option which accrue interest compounded semi-annually or annually, and pay interest and principal on termination.

(*) Subsequent to year end these extendible step-up notes were called on the first extendible date at the contractual principal amount.